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GENERAL

1. US opposes Nationalist coalition with Chinese Communists--
The Department of State has authorized US Ambassador Stuart in Nanking to indicate informally to Nationalist leaders that the US "does not favor Communist participation in governments in China or elsewhere." The Department also advised Stuart that careful consideration is being given to the possible issuance of a statement on the US position toward China.

S-TS

EUROPE

2. FRANCE: Government faces crisis on Ruhr issue--US
Ambassador Caffery expresses his doubt that the Queuille Government can weather an "Assembly storm" unless the US can do something direct and concrete to help Foreign Minister Schuman who is doing his best to avoid a crisis in France over the recent announcement concerning the Ruhr. According to US Embassy Moscow, the attention the Soviet press is devoting to French dissatisfaction with the tripartite negotiations on western Germany suggests that the USSR is hopeful that the Ruhr issue will seriously disrupt the present tripartite unity.

S-S

(CIA Comment: CIA believes that the reaction of the French to the recent US-UK announcement on the Ruhr has been sufficiently intense to cause serious repercussions in future US-UK-French negotiations concerning tripartite policy toward west Germany.)

3. GREECE: AMAG urges no increase be made in military aid--
AMAG Chief Grady recommends that the budget for US military aid to Greece during the next fiscal year should not be substantially larger than this year's total of \$150 million, despite estimates by the Joint US Military Aid Planning Group in Greece that sums of either \$450 million

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or \$541 million are required. Grady believes that: (a) in view of the ineffectiveness of past increases in US military aid, there is no justification for the assumption that the proposed increases will enable the Greek Army to make appreciable progress against the guerrillas; (b) an increase in US financial obligations might play into the hands of the Communists, who are attaining their objectives with little money and equipment; and (c) continuation of even the present military burden on the Greek economy will reduce ECA activity in Greece to a mere relief program. Grady asserts that US objectives in Greece might in the long run be better secured if the US supported an actual reduction of the Greek Army's size.

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